STATE OF CALIFORNIA
BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

TO: Celsius Network Inc.
c/o The Corporation Trust Company, Registered Agent
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

Celsius Network Limited;
The Harley Building, 77 – 79 New Cavendish Street
London W1X 6XB, United Kingdom

Celsius US Holding LLC;
c/o The Corporation Trust Company, Registered Agent
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

Celsius Network LLC;
c/o The Corporation Trust Company, Registered Agent
Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801

Alexander Mashinsky
140 E 63rd Street PH 4
New York, New York 10065

DESIST AND REFRAIN ORDER
(For violations of section 25110 and 25401 of the Corporations Code)

The Commissioner of Financial Protection and Innovation (Commissioner) finds that:

1. Celsius Network Inc. is a Delaware corporation formed on February 8, 2018, with its principal place of business in Hoboken, New Jersey. Celsius Network Inc. owns over 82 percent of Celsius Network Limited.

2. Celsius Network Limited is an England and Wales private limited company formed on February 9, 2018, with its principal place of business in London, England. Celsius Network Limited wholly owns Celsius US Holding LLC.

3. Celsius US Holding LLC is a Delaware limited liability company formed on October 5, 2020, with its principal place of business in Hoboken, New Jersey. Celsius US Holding LLC wholly owns Celsius Network LLC.

4. Celsius Network LLC is a Delaware limited liability company formed on June 14, 2021, with its principal place of business in Hoboken, New Jersey.

5. Alexander Mashinsky is the Chief Executive Officer of each of the Celsius entities.

Earn Rewards Accounts

6. Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC, and Celsius Network LLC (collectively "Celsius") act as a financial services company that generates revenue through digital asset trading, lending, and borrowing, as well as by engaging in proprietary trading. Since June 2018, Celsius has been, at least in part, funding its lending operations and proprietary trading through the sale of unqualified securities in the form of digital asset interest-earning accounts. Celsius refers to these unqualified securities as its "Earn Rewards" accounts.

7. Celsius solicits investors to invest in the Earn Rewards accounts by depositing certain eligible digital assets into the investors' accounts at Celsius. Celsius then pools these digital assets together to find its various income generating activities, including lending operations and proprietary trading. In exchange for investing in the Earn Rewards product, investors are promised an attractive interest rate that is paid weekly in the same type of digital asset as originally invited, or, subject to certain conditions, in Celsius' native digital token CEL.

8. On June 12, 2022, Celsius suspended the fulfillment of customer withdrawal requests, citing "extreme market conditions."

9. On July 13, 2022, Celsius filed Chapter 11 bankruptcy petitions in the United States Bankruptcy Court for the Southern District of New York.

10. Through July 17, 2022 Celsius has paid interest to more than 48,000 California residents through Earn Rewards accounts. As of July 17, 2022, Celsius customers had a collective Earn Rewards account value of over $650,000,000.

Violations of Corporations Code Section 25110

Unqualified Offer and Sale of Securities

11. Corporations Code section 25110 prohibits the offer or sale of unqualified, non-exempt securities in issuer transactions in the State of California.

12. The Earn Rewards accounts offered and sold by Celsius are securities in the form of investment contracts subject to qualification under the Corporate Securities Law of 1968 (Corp. Code, § 25000 et seq.) (CSL). These securities are being offered or sold in this state in issuer transactions. The Department has not issued a permit or other form of qualification authorizing any person to offer or sell these securities in this state. The offer or sale of these securities to the general public on or before April 14, 2022, was not excepted or exempted from qualification.

Materially Misleading Statements and Omissions in Offer and Sale of Earn Rewards Accounts

13. In offering the Earn Rewards accounts to California residents, touting the accounts as "safe," and advertising on its website "24/7 access" and "[i]t's your crypto, after all," Celsius failed to fully disclose material aspects of its business and Earn Rewards including, but not limited to:

a. the types of trading and investment activities that Celsius engages in,

b. the identities and creditworthiness of those who borrow digital assets,

c. the amount of digital assets used in each income-generating activity,

d. the risk that third-party custody services might lose access to digital assets,

e. the risk that lenders to which Celsius sent digital asset collateral would be unable to return Celsius' collateral in a timely manner,

f. the risk that in the event of a sudden request for withdrawals that Celsius' own attempts to unwind illiquid positions may prevent it from having adequate assets to meet customer withdrawal demands, and

g. Celsius financial statements or other information reflecting its financial state.

14. Celsius also represented that it provides 80 percent of its revenue to its customers yet Earn Rewards Investors are only entitled to interest at rates set by Celsius.

15. Further, in offering Earn Rewards, CEO Alexander Mashinsky failed to disclose material aspects of Celsius' business, and made materially misleading statements, or omitted to state material facts necessary to make statements made, in the light of the circumstances under which the statements were made, not misleading. Mashinsky represented on numerous occasions that even in a worst-case scenario, Earn Rewards Investors would be able to timely withdraw their investments and would not suffer losses on their investments, and continued to make representations that it was safe to

deposit assets with Celsius even in the days leading up to the company's decision on June 12, 2022, to suspend customer withdrawals.

Violations of Corporations Code Section 25401

Untrue Statements or Omissions of Material Fact

16. Corporations Code section 25401 prohibits the offer or sale of a security in the State of California by means of any written or oral communication that includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in the light of the circumstances under which the statements were made, not misleading.

17. Celsius offered and sold the Earn Interest accounts in this state by means of untrue statements of material fact or omissions of material facts necessary to make the statements made, in the light of the circumstances under which the statements were made, not misleading.

Control Person and Substantial Assistance Liability

18. Any person who with knowledge directly or indirectly controls and induces another person to violate any provision of the CSL, or knowingly provides substantial assistance to another person to violate the CSL, is deemed to be in violation of that provision to the same extent as the other person. (Corp. Code, § 25403, subds. (a), (b).)

19. Mashinsky, as CEO of each Celsius entities, is a person who with knowledge directly or indirectly controlled and induced Celsius to violate Corporations Code sections 25110 and 25401.

20. Mashinsky knowingly provided substantial assistance to Celsius in its violations of Corporations Code sections 25110 and 25401 as a person who (a) promoted the sale of the Celsius Earn Rewards accounts to the general public on or before April 14, 2022, and (b) made material misrepresentations or omissions of material fact in the course of promoting the offer and sale of the Celsius Earn Rewards accounts throughout the entire offering.

Based on the foregoing findings, the Commissioner is of the opinion that the Earn Rewards accounts are securities, in the nature of investment contracts, as defined at Corporations Code section 25009. These securities were subject to qualification under the Corporate Securities Law of 1968 and are being or have been offered or sold without first being qualified in violation of Corporations Code section 25110 on or before April 14, 2022.

The Commissioner is further of the opinion that the Earn Rewards accounts were offered or sold in this state by means of untrue statements of material fact or omissions of material facts necessary to make the statements made, in the light of the circumstances under which the statements were made, not misleading, in violation of Corporations Code section 25401.

The Commissioner is further of the opinion that Mashinsky is a person who with knowledge directly or indirectly controlled and induced Celsius, and/or is a person who knowingly provided substantial assistance to Celsius to violate Corporations Code sections 25110 and 25401.

Under section 25532 of the Corporations Code, Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC, Celsius Network LLC, and any of their subsidiaries, and Alexander Mashinsky, are ordered to desist and refrain from the further offers and sale of securities in California, including but not limited to the Earn Rewards accounts, unless such sale has been qualified under Corporations Code section 25111, 25112, or 25113, or unless such security or transaction is exempted or not subject to qualification.

Furthermore, Celsius Network Inc., Celsius Network Limited, Celsius US Holding LLC, Celsius Network LLC, and any of their subsidiaries, and Alexander Mashinsky, are ordered to desist and refrain from offering securities in this state by means of untrue statements of material fact or omissions of material facts necessary to make the statements made, in the light of the circumstances under which the statements were made, not misleading in violation of Corporations Code section 25401.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: August 8, 2022
Sacramento, California

CLOTHILDE V. HEWLITT
Commissioner of Financial Protection and Innovation

By______________________________
MARY ANN SMITH
Deputy Commissioner
Enforcement Division